

LABOR MARKET INFORMATION OVERVIEW

This year we are presenting information unlike that provided by the Department of Labor for the last several years. Our view is that Idaho's employment picture for the next two years will be one of slower growth than that experienced in the late 1990s. However, there will be continuing diversification of the industrial mix. Most industries will continue to add jobs, though some traditional industries will lose jobs. We forecast a 2.7 percent increase in the number of Idahoans working (Total Employment) in Fiscal Year (FY) 2001 and an increase of 2.5 percent for FY2002. The number of jobs (*Nonfarm Payroll Jobs*) is forecast 2.4 percent for FY2001 and 2.9 percent for FY2002. The Idaho unemployment rate is projected to increase from 4.6 percent in FY2000 to 4.7 percent in FY2001 and FY2002.

Nationally, Total Employment is projected to grow by 2.5 percent, slightly below Idaho's 2.6 percent. The growth rate of *Nonfarm Payroll Jobs* nationwide is expected to be 1.0 to 1.8 percent, down significantly from Idaho's 2.4 percent in FY2001. The national unemployment rate is expected to remain below 5 percent in FY2001. Federal Reserve Board Chairman Greenspan recently has signaled his concerns that the economic growth is now flat and that a dramatic slowdown is indeed possible. However, most other experts expect a national economic slow-down, or a "soft landing", but not a significant recession. There has been considerable deflation in the equity markets, but job increases have been the norm. These national conditions generally bode well for Idaho, although the country's agriculture commodity prices, timber product demand, and high fuel prices will affect the Idaho employment scene. We think a growing population base, increasing *Nonfarm Payroll Jobs*, and tight labor markets in urban areas will offset negative events that might occur nationally.

Almost all of Idaho's industries are expected to remain in good condition and continue to grow with a few exceptions we will address later. All regional economies will grow although the persistent, sometimes large, differences in unemployment rates between urban and rural counties will remain.

The next two years will continue the past decade's trends of growth in population and employment. However, Idaho's projected population growth, in the 1.5 percent range, is considerably lower than the 2 to 3 percent growth rate experienced in the mid-1990s. With favorable economies nationally and in our surrounding states, there are fewer economic reasons for people to move here. Increases in average wages and per capita personal income in Idaho are also expected to continue during the next two years.

The estimate of Idaho's economy for FY2002 is that 21 percent of the jobs will be in the *Goods-Producing Industries* and 79 percent of the jobs will be in the *Service-Producing Industries*. The largest industry group will be *Services* with 26 percent of the jobs followed by *Trade* with 25 percent. *Government*, at all levels, is expected to provide 19 percent of the jobs.

There are five economic developments that should be watched. First, the relative low unemployment rate signifies a tightening of the labor market. Although Total Employment should increase, *Nonfarm Payroll Jobs* are expected to increase even more. Second, agricultural prices have been low for several years. While farm employment levels are not expected to change significantly, low prices could delay purchases of farm equipment and supplies, affecting employment in supporting industries. Third, higher gasoline prices mean higher transportation costs, which could adversely impact trucking and tourism-related employment. Fourth, the employment decreases experienced in the past five years in mining and forest products are not likely to be reversed. Lastly, the electrical power crisis in California and emerging elsewhere could have dramatic economic affects. Although Idaho has taken steps to retain our state-generated power within the state, the economic affects in other states certainly will be felt here. And, if the snow pack remains at below average level, the power crisis will certainly be a major area of concern.

Industry Review

The significant trends of the last ten years and near-term two-year period are:

Looking at the ten-year growth rate trends, three industry groups stand out: *Construction*, "*High Tech*" (which is really two industries within *Manufacturing*), and *Business Services*, which is one component of the larger *Services* sector.

Growth in these industries could be summarized as follows:

The rate of growth in *Construction* can be attributed to the increasing population, economic growth, and infrastructure improvements. However, as population growth slows down, it is likely that *Construction* employment growth will also slow down. The decline in interest rates creates a more favorable climate for construction activity, but the overall level is more dependent upon population and economic trends.

The past decade saw the emergence of "*High Tech*" manufacturing in Idaho and its continued sustainability in light of tremendous domestic and global competition.

The growth in *Business Services* is not only a result of overall economic growth but also a reflection of the changing manner in which business serves business.

Analyzing the near-term employment trends from FY1999 to FY2000, you will note the following points:

There was a 3.4 percent increase in the number of *Nonfarm Payroll Jobs*.

There were job losses in *Mining*, *Food Processing*, and *Lumber & Wood Products*.

Industries with a large number of jobs continued to grow. This included "*High Tech*", *Trucking*, *Retail Trade*, *Business Services*, *Management Services* (which includes the new pri-

vate prison), and *Health Services*. The increase in *Federal Government* was largely temporary and due to the 2000 Census and firefighting support jobs.

There is just a small increase in *Agriculture* employment due to continued, increasingly high-tech mechanization of farming processes. However, there is a larger gain in *Agriculture* employment that is covered by the state's Unemployment Insurance program. Not only do the newer technologies require a more permanent work force, but also farm consolidations have pushed more farming operations over the Unemployment Insurance coverage thresholds. These agriculture numbers presented are estimates of farm employment, not the larger "Agriculture" economic picture within the state.

Food Processing employment will have declined in CY2000 and it will be flat or show small declines in the next couple of years. We think this is due in part to shifting consumer market preferences and fundamental changes in the way food processing is performed. The processing often relies on high-tech manufacturing and quality control systems that need a skilled, less seasonal work force. Adding further pressure to this industry in Idaho are relatively high transportation costs to significant customer markets, and other sources for products, such as processed potatoes, that are closer to those markets. Perhaps symbolic of these changes is Ore-Ida's decision to consolidate management operations in Pittsburgh, thus contributing to the employment decline in *Food Processing* in CY2000.

Another industry based on natural resources we think will show future employment declines is *Lumber & Wood Products*, continuing the trend of recent years. Lumber prices have been low and unsold inventories have been built up. Timber sources from federal lands have diminished, thus, causing a shortage. The Asian export market has diminished while the availability of imported timber from Canada has increased. The South has also become a major supplier of building products. As a result of these market changes, there have been a number of mill closures in Idaho and the remaining mills have had to make technological improvements to increase efficiency, but not employment.

Mining employment is also expected to decline. Over the last ten years, employment in this industry has had a few yearly ups and downs driven by metal prices and technological improvements. However, unless gold and silver prices unexpectedly rise and stabilize, *Mining* will provide less than one-half percent of the *Nonfarm Payroll Jobs* in Idaho in 2001. Please keep in mind that our definition of mining includes only extraction, not the processing of minerals.

The depressed nature of the *Mining* and *Lumber & Wood Products* industries has had intense, adverse impacts on many local areas of the state. These communities are trying to diversify their economies, but it is a very hard struggle.

The industry group with the most employment is *Retail Trade*. This group's long-term growth trend has exceeded the statewide average. Most of its growth can be attributed to the increase in population, but Idaho's tourism industry also has been a major contributor. All areas of the state have seen the emergence of general shopping malls, specialty shopping malls, national mega-retailers, national and regional restaurant chains, convenience stores, and tourist facilities that all bolster *Retail Trade*. Since *Retail Trade* activity is critical for sales tax projections, the increasing employment levels are very positive. The emergence of e-commerce is still an unknown factor

on Idaho's *Retail Trade* employment picture. The slower population growth that is predicted probably will have a more pronounced affect on the *Retail Trade* industry over the next two years.

However, even though *Retail Trade* employment has increased substantially, average wages have not kept pace. Perhaps this is because the *Retail Trade* industry is a source of many part-time jobs, many of which are second jobs for people also employed elsewhere. For example, the latest wage survey reports the median wage for a retail salesperson is \$7.83, compared to \$12.13 for an automotive mechanic, and \$9.85 for a general secretary.

Another industry group that has had an interesting trend that may continue in the near future is *Communications & Utilities*. While there has been good employment growth overall, some individual firms have downsized considerably and others have added employment. Deregulation, regional alliances, and mergers with other, but dissimilar, companies within the communications band have caused this pattern. Idaho has also seen the growth of the call center and telemarketing industries. Not all of these businesses are classified in the *Communications* industry, but they are associated with it.

Industry Projections

We project there will be a 2.9 percent increase in the number of jobs in Idaho from FY2001 to FY2002. From the current fiscal year (FY2000) we are projecting an increase of 29,025 nonfarm payroll jobs by FY2002. This amounts to a 5.3 percent growth rate for the two-year period.

There are two industry groups with the greatest projected growth rates:

Computer equipment and electronics components, "*High-Tech*", are expected to grow 17.9 percent from FY2000 to FY2002. These two industries will provide 27,858 jobs in FY2002. This is a highly volatile industry group, but we think Idaho's industry will continue to grow through increased productivity and capacity, large investments in research and development, improved prices, and increased market shares.

Business Services is expected to provide 32,691 jobs in FY2002, a 22.9 percent increase from FY2000. This group includes such things as advertising, printing, computer services, and temporary employment agencies.

As mentioned previously, the *Business Services* industry reflects changes in the way business serves business. There will be continued outsourcing of printing, computer services, and janitorial services, as well as utilization of temporary employment agencies for short- and long-term labor. In fact, temporary employment agencies often supply a significant share of a business' ongoing staffing needs.

Next, we should note our projections for industries that employ a great number of people.

Retail Trade probably will provide an average of 111,000 jobs in FY2001. This is a 5.1 percent increase from the FY2000 average. *Retail Trade* includes food and merchandise stores, service stations, and eating & drinking places.

Included are hotels, recreation facilities, and nonprofit organizations in *Other Services*. With a projected employment level of 81,677, *Other Services* is the second largest industry group and is projected to have a 4.9 percent employment growth rate from FY2000 to FY2002. Employment at the INEEL

and related facilities is on the rise, and there is optimism that the new general contractor and the involvement of regional universities will lead to new business opportunities at the site.

Local Government Education & Administration is projected to provide just over 67,000 jobs in FY2001. This is a 6.3 percent increase over the FY2000 level.

Construction is frequently cited as a barometer of general economic vitality. We project an FY2002 job level of 35,353, slightly down from the FY2000 number. The leveling off in projected construction employment is due to slower population growth and the fluctuating interest rates. However, infrastructure investments and non-residential construction projects could very easily make our projections on the low side.

Negative growth patterns are expected to continue for four industries: *Mining, Lumber & Wood Products, Food Processing, and Federal Government*. These job losses are few in number, but they represent a continuation of the trend for the last several years.

Unemployment Rates

We previously cited a projected FY2002 average annual unemployment rate of 5.0 percent for the state. We have included in your packet our projections for each county. There is a very mixed picture around the state. In some cases, a high unemployment rate must be expected if seasonal industries dominate the county's economy. This is especially true in Idaho's less populated counties.

We project that four counties will have double-digit unemployment rates in FY2002: Adams at 12.7 percent, Clearwater at 14.1 percent, Benewah at 12.8 percent, and Shoshone at 10.7 percent. All the northern Idaho counties, with the exception of Latah and Nez Perce, will experience unemployment rates above 7.5 percent.

The more populated counties in southern Idaho are expected to fare much better. We project that unemployment for FY2002 in these counties will be Bannock at 4.7 percent, Bonneville at 3.0 percent, Canyon at 4.2 percent, and Twin Falls at 4.3 percent.

We predict a continuing tight labor market for Ada County with an annual average unemployment rate of 2.8 percent for FY2002. This rate is far below any economist's definition of full employment and it could cause an upward pressure on local wage rates.

We project there will continue to be labor market disparities between most rural areas and our urban centers. Rural does not include just agricultural areas; it also includes small communities not within an easy commuting distance to a major population center. The seven urban counties of the state had an average unemployment of 3.8 percent in 2000. The remaining counties had an average rate of 5.8 percent. While the urban counties have an estimated 68 percent of the state's labor force, our rural areas offer unique lifestyles and their economic vitality needs to be maintained.

Wages & Income

In regard to an assessment of the average pay of Idaho employees compared to national averages, we offer two measures for your consideration.

The latest year for which national average annual pay data is published is 1999. In 1999, the average pay in Idaho was

\$26,042 and the national average was \$33,313, meaning Idaho's average pay is 78 percent of the national average. We ranked 42nd in the nation (including Washington, DC and Puerto Rico) that year. From 1997 to 1998, Idaho's average pay increased 3.3 percent; the national average increased 5.1 percent.

The second measure is per capita personal income, which is a measure of the amount of money coming in at a certain time. Wages paid is the largest component of personal income, but this measure also includes such things as interest, rents, and government transfer payments. In 1999, Idaho's per capita personal income was \$22,835 and the national number was \$28,542, making Idaho's level 80 percent of the national level. Idaho ranked 45th in the nation. From 1998 to 1999, Idaho's per capita personal income rose 4.2 percent while the national level rose 4.5 percent. Per capita personal income for our surrounding states in 1999 was: Washington \$30,392; Oregon \$27,023; Nevada \$31,022; Utah \$23,288; Montana \$22,019.

Other Main Points for Consideration

Perspective:

Overall the State employment picture is good.

The overall statewide unemployment rate for 2000 is estimated at 4.5 percent, down from 5.2 percent in 1999.

Nonfarm Payroll Jobs increased statewide by an estimated 3.4 percent from 1999 to 2000. From 1998 to 1999 *Nonfarm Payroll Jobs* also increased by 3.4 percent statewide.

However, some rural county economies are struggling.

Five Idaho counties—all rural—had double digit unemployment rates in December 2000: Clearwater at 18.2 percent, Adams at 13.0 percent, Idaho at 10.4 percent, Shoshone at 10.3 percent, and Lemhi at 10.0 percent.

Thirty-five counties' unemployment rate increased between December 1999 and December 2000. The increases ranged from 6.5 percentage points in Clearwater to 0.1 percentage points in Adams and Canyon. Five of the counties were urban and the other 30 were rural.

Many rural counties are still doing okay.

Nine counties—3 urban and 6 rural—had unemployment rates of 4.0 percent or lower in December 2000: Madison at 2.6 percent, Ada at 2.7 percent, Bonneville at 3.3 percent, Blaine at 3.4 percent, Latah at 3.5 percent, Franklin at 3.7 percent, Oneida 3.8 percent, and Lincoln and Teton at 4.0 percent.

Seven counties'—1 urban and 6 rural—unemployment rate decreased between December 1999 and December 2000. The decreases ranged from 1.8 percentage points in Lewis to 0.1 percentage point in Bannock.

Two counties' unemployment rate was unchanged—Ada and Bonneville, both urban.

Natural Resource based economies (lumber, agriculture, and mineral mining) are suffering.

Mining:

- Low metal prices affected employment in Silver Valley. Sunshine Mining just announced it is laying off 27 people at their mine near Kellogg due to slumping silver prices. Sunshine closed its 17-employee antimony plant last summer because of low metal prices. The other two major mines also are concerned about

falling silver prices and are disappointed in prices for lead, zinc, and other minerals they produce.

- The *Mining* industry accounts for 20 percent of the nonfarm jobs in Lemhi County. In 2000, local mining operations started to experience layoffs as the mines were preparing to shut down. The Beartrack Mine in Lemhi County laid-off over 100 workers on March 31, 2000 and is currently operating on a skeleton clean-up crew.
- Custer County's Thompson Creek Mine laid off almost 40 workers this year, and expects to lay off the remaining 125 within four years.

Lumber:

- Recent mill layoffs: Jaypee – 215; Crown Pacific – 150; Potlatch in Lewiston – 119 salaried administrative workers and 114 jobs in its pulp and paperwood operations; other temporary closures and small layoffs were made throughout the year.

Agriculture:

- Dairy producers suffered through one of the worst years in recent memory with prices averaging well under \$10 per hundredweight. Most of the year, prices were \$1.00 to \$2.00 less than production break-even standards.
- At the beginning of the year, there was a 25 percent dip in sugar prices. Some of this drop was offset by an increase in production. Harvest 2000 had many difficulties, especially in the Mini-Cassia area where over 3,000 acres of beets froze in the ground. Bankruptcies are very likely.
- Potato prices are down substantially. Nationally, the 2000 potato harvest was the highest yielding ever. This has contributed to an incredible price deflation. According to the Idaho Potato Growers Association, the current price received by Idaho potato growers is 50 cents per hundred-weight (cwt). Last year at this time, the price was \$4.50 per cwt. Many of the growers have joined an organized effort to divert potato stocks from the market by either dumping them or find other uses for them.
- *Food Processing* employment is down 2.4 percent, or a loss of 250 jobs during the year.

Federal Land:

- In Lemhi and Custer counties, *Government Administration*, which consists primarily of workers at the Bureau of Land Management and the U.S. Forest Service, comprises 30 percent of the nonfarm jobs. Since the federal government owns over 93 percent of Lemhi County's land, the Bureau of Land Management and U.S. Forest Service have a high profile in the area. However, regulations and the environmental situation will dictate how the mining industry will change in the future.

Wages

Idaho has seen a lot of growth in service jobs like call centers. There have been about 30 new call centers established in Idaho in the last 4 years. Call centers collectively now em-

ploy about 10,000 Idahoans statewide. However, call center wages (\$9) and retail job wages (\$7.50) are lower than lumber wages (\$16.50) and mining wages (\$19).

Covered Wages for 1999: Overall—\$12.50; *Agriculture*—\$9.00; *Mining*—\$19.00; *Construction*—\$13.00; *Food Processing*—\$13.50; *Lumber & Wood Products*—\$16.50; *Other Manufacturing* which includes high-tech—\$20.00; *Transportation, Communication, & Utilities*—\$14.50; *Wholesale Trade*—\$14.50; *Services*—\$11.50; *Retail Trade*—\$7.50; *Finance, Insurance, & Real Estate*—\$15; and *Government*—\$13.00 (*Federal*—\$19, *State*—\$14.00, and *Local*—\$11.00).

Other industries losing jobs in 2000

Transportation Equipment employment is down 5.0 percent, or a loss of 100 jobs.

Wood Building & Mobile Homes employment is down 20 percent, or a loss of 300 jobs.